

~~SECRET~~
NO FOREIGN DISSEM
BACKGROUND USE ONLY

70



28 November 1966

No. 0401/66
Copy No.

148

INTELLIGENCE REPORT

THE SITUATION IN SOUTH VIETNAM

DIRECTORATE OF INTELLIGENCE

BACKGROUND USE ONLY
NO FOREIGN DISSEM

~~SECRET~~

GROUP 1
Excluded from automatic
downgrading and
declassification

This document contains information affecting the national defense of the United States, within the meaning of Title 18, sections 793 and 794, of the US Code, as amended. Its transmission or revelation of its contents to or receipt by an unauthorized person is prohibited by law.

CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence

THE SITUATION IN SOUTH VIETNAM
(21 November - 27 November 1966)

C O N T E N T S

	<u>Section</u>
POLITICAL SITUATION	I
General Manh installed as IV Corps commander; Constituent assembly; Economy Ministry problems.	
REVOLUTIONARY DEVELOPMENT	II
Plans firm for ARVN role in Revolutionary Development; Viet Cong terrorism; Viet Cong defectors (Chieu Hoi).	
ECONOMIC SITUATION	III
Prices; Currency and gold; Discussions with Hanh and Ton; Fifth US-GVN joint economic meeting; Reorganization of the Ministry of Economy; Rice situation.	
ANNEX: Weekly Retail Prices in Saigon (table) Weekly/Monthly Saigon Free Market Gold and Currency Prices (graph)	

I. POLITICAL SITUATION

General Nguyen Van Manh was installed as IV Corps commander on 23 November, with no hostility evident over the removal of ex-commander Dang Van Quang. In the constituent assembly, committee preparatory work on basic principles of the constitution is nearly completed, but it has not been decided whether to propose a presidential or parliamentary form of government. Chief of State Thieu is studying committee proposals to amend the assembly's founding law which now gives the ruling Directorate veto power over a draft constitution. The same committee is also seeking an assembly role in policy making between promulgation of the constitution and seating of an elected legislature. The three secretariats which replaced the Economy Ministry are still facing problems of leadership and division of labor.

General Manh Installed as IV Corps Commander

1. General Nguyen Van Manh was officially installed as the commander of IV Corps in a simple ceremony at the corps headquarters in the delta city of Can Tho on the morning of 23 November. Ex-corps commander Dang Van Quang, now minister of planning and development, was expected to move to Saigon over the week end. Public reaction in the delta to the reassignments is reportedly one of apathy, except for those lesser officials who fear that they may lose their jobs as a result of Quang's departure.

2. If the disaffected southerners still harbor any hostilities toward the military members of the Directorate over the removal of General Quang, they have not let it be known. It appears that the attempt by the southern civilian ex-ministers to capitalize on the regional loyalties was not popular enough to warrant continued opposition in the face of

25X6 the increasing power of the Ky oligarchy. The appointment of four southerners to the ministries vacated during the cabinet crisis helped assuage complaints of northern dominance. However, the dominant role of police director Loan over matters of internal security has not been watered down in spite of the fact that the cabinet crisis was triggered by his [REDACTED] detaining a southern subcabinet official. Loan's status, and that of Dinh Trinh Chinh and Bui Diem, two more of Premier Ky's confidants, seems secure for the time being, although the latter is reportedly maneuvering for an ambassadorial assignment, [REDACTED]

25X1X

25X1X

Constituent Assembly

3. Formal sessions of the constituent assembly were deferred last week to allow the constitution drafting committee time to prepare for assembly debate on the "basic principles" of the constitution. That preparatory work is nearly completed, according to one of the members of the committee's research subsection which is compiling the basic outline. He said that the committee's recommendations call for a bicameral legislature and a judicial system with a supreme court. The provision for a presidential as opposed to a parliamentary executive system, however, has not yet been resolved. The chairman of the assembly, Phan Khac Suu, reportedly favors the parliamentary system.

4. In an effort to formulate a constitution that is as representative as possible, the people's aspirations committee is soliciting the opinions of Vietnamese in the provinces on what their constitution should contain. Through the use of a questionnaire, views on the form of the future executive, legislative, and judicial bodies will be requested. The committee will also try to ascertain a public stance on whether the executive and legislative bodies should be empowered to dissolve each other, possibly through a "no-confidence" vote.

5. In the meantime, Chief of State Thieu is studying the proposals to amend the assembly's

founding law which were submitted to him by a 12-man assembly committee on 18 November. Of the seven changes that the committee is seeking, the most crucial one would require the Directorate to submit its proposed amendments to the assembly before the final vote on the draft constitution is taken. Essentially, this would reverse the situation that exists now and would lessen the government's chances of making its revisions stick.

6. The assembly committee is also soliciting an amendment which would give the assembly a role in policy making between the time the constitution is promulgated and an elected legislature takes office. The assembly's mandate now reads that its work is finished when the constitution becomes law. The Directorate's reply to the recommendations is expected by the end of this week. Although they doubt that the government will agree to such extensive changes in the original assembly mandate, US Embassy officers point out that several compromise solutions are possible. Several prominent assemblymen are optimistic that the government will agree to some form of alteration of the decree law which would limit the GVN's revisionary powers. The current position of the government on the proposed amendments, however, has been reported only by the assembly delegates themselves, and they might not be aware of Directorate opposition to their proposals.

Economy Ministry Problems

7. The work of the Economy Ministry, which was divided into three separate state secretariats following the recent cabinet revisions, had reportedly bogged down after the resignation of Au Truong Thanh. Although appointments to the two newly created posts of Commerce and Industry have filled the vacuum, the US Embassy fears that the new personalities are possibly too weak and the division of labor too diffuse to carry on the dynamism of the previous economy ministry. In Thanh's absence, the status of the economic and finance committee, the economic policy-making body, is unclear. The governor of the National Bank, Nguyen Huu Hanh, has proposed that Premier Ky chair the committee with Hanh as his deputy. Hanh

~~SECRET~~

NO FOREIGN DISSEM/BACKGROUND USE ONLY

has tried to force his own candidates for the economy posts upon the government and, in so doing, has alienated many responsible persons who have an interest in economic policy.

NO FOREIGN DISSEM/BACKGROUND USE ONLY

~~SECRET~~

SECRET

NO FOREIGN DISSEM/BACKGROUND USE ONLY

II. REVOLUTIONARY DEVELOPMENT

Planning continues in Saigon in preparation for the assumption by ARVN combat units of a screening role for Revolutionary Development activities in 1967. Meanwhile, Viet Cong terrorism continues to escalate in South Vietnam, with the effort apparently being concentrated on GVN administrators and officials in the rural areas. Chieu Hoi returnees numbered 556 for the 17-23 November reporting period, boosting the 1966 total to 16,954.

Plans Firm for ARVN Role in Revolutionary Development

1. Current planning sessions in Saigon for the pacification role of South Vietnam's armed forces (ARVN) in 1967 have produced a set of detailed proposals. The plans agreed on between South Vietnamese Chairman of the Joint General Staff General Cao Van Vien and COMUSMACV, spell out what ARVN must do to support Revolutionary Development, as well as the roles of the Regional Forces, Popular Forces, police, and Revolutionary Development Cadres.
2. General Vien has shown a high degree of interest in the 1967 mission of ARVN to support RD activities, calling it "the most important mission of the armed forces of the government." He has issued a command message to all senior commanders to this effect.
3. Plans are now under way for one mobile training team from each of the 10 ARVN divisions to attend a two-week training course in Saigon on the new mission of ARVN. These teams will, in turn, conduct a similar course for each of the maneuver battalions in their respective divisions to be committed in support of RD.
4. Preliminary commitments to the new mission of ARVN have been received from field commanders in both I and IV Corps. In I Corps, the 1st Division has indicated that two battalions in each province will be used to support RD--that is, at least four

II-1

SECRET

SECRET

NO FOREIGN DISSEM/BACKGROUND USE ONLY

of the division's 12 maneuver battalions. In IV Corps, five of the 7th Division's maneuver battalions have been earmarked for screening RD activity.

Viet Cong Terrorism

5. The Viet Cong continue to mount a wave of terrorism against the civilian populace in general and against GVN officials in particular. According to the latest report from the US Embassy, covering the period 26 September-25 October, a total of 189 persons were assassinated and 489 abducted. This is an increase of 54 and 190 in each category, respectively, over the preceding reporting period.

6. In spite of the growing rate of terrorism, local government has been affected only to a limited extent, according to the embassy comment. Only in isolated instances has the threat of Viet Cong reprisal prevented citizens from assuming leadership positions in the hamlet councils.

7. During the current reporting period, there was a total of 91 selective assassinations, 18 of which were village and hamlet officials, 23 national police (not on combat operations), eight Revolutionary Development Cadre (RDC), and three civil servants. Although the total number of selective assassinations was five less than that of the previous month, the number of government officials and employees slain was almost double that of the previous month. The number of assassinations of officials is possibly the best indicator of the importance which the Communists place on eliminating the GVN administrative and security presence from the rural areas.

8. Twenty-nine other GVN officials were abducted during the reporting period, again the result of selective targeting on the part of the Viet Cong. This is nine fewer than in the previous reporting period. There is, however, a rise in the over-all number of kidnappings being carried out by the Communists. Mass kidnappings may be on the

II-2

SECRET

SECRET

NO FOREIGN DISSEM/BACKGROUND USE ONLY

upswing. Two instances of whole hamlets being marched off by the Viet Cong occurred early this month in the delta area. These tactics are probably designed to intimidate whole areas so that they will not cooperate in GVN Revolutionary Development activities. Such tactics may become more common as the government's drive to pacify larger areas of the countryside become intensified.

Viet Cong Defectors (Chieu Hoi)

9. Although the rate of Chieu Hoi returnees dropped somewhat from the previous week's 611, a total of 556 returned to government control during the 17-23 November period. Of the total number, some 314 were listed as military returnees. The 1966 total of returnees to date is 16,954, more than half again as many as the 1965 total of 11,124.

10. The Viet Cong late in the week attacked the provincial Chieu Hoi center in Vinh Binh Province, killing one child and wounding seven other persons. This attack was apparently another in the series of Viet Cong terror raids against Chieu Hoi centers which are aimed at discouraging further defections from the Communists.

11. In Binh Dinh Province, with the conclusion of Operation IRVING, the flow of returnees has stabilized, but the returnee center facilities are strained. Some 1,200 individuals are now crowded into a center designed to handle 600. Relief efforts include obtaining tents, additional blankets and food.

SECRET

~~SECRET~~

NO FOREIGN DISSEM/BACKGROUND USE ONLY

III. ECONOMIC SITUATION

Price movements were generally encouraging during the week ending 21 November. Retail prices of both domestic and imported commodities in Saigon held fairly stable at the levels of the preceding week. Free market gold and currency prices also were unchanged. Most encouraging, however, was a decline in the prices of rice and pork, which had been increasing steadily in recent weeks.

In spite of the welcome decline in the price of rice, however, the rice situation remains critical. Deliveries from the delta to Saigon during the first half of November fell sharply. Moreover, the US Mission's new program to raise the income of the rice farmer may be jeopardized if the GVN does not act rapidly. It appears that merchants already are trying to buy the new crop of paddy from the peasants at low prices.

The US held meetings with various GVN officials on a wide variety of topics such as GVN financing of CIP goods, the GVN budget for 1967, port congestion, and the port situation. No important decisions resulted, however, primarily because of the unsettled state of the GVN economic apparatus. The recently reorganized Ministry of Economy has not yet started functioning effectively, and there are doubts about the new appointments as well as the new organizational structure.

Prices

1. Retail prices in Saigon were generally stable during the week ending 21 November with the over-all USAID retail price index showing a gain of less than one percent. Food prices increased one percent,

III-1

~~SECRET~~

~~SECRET~~

NO FOREIGN DISSEM/BACKGROUND USE ONLY

primarily because of higher prices for fish and vegetables. The price of pork, however, fell back to 85 piasters per kilogram--the price prevailing on 24 October just before the recent upsurge in pork prices--as improved transportation conditions in the delta evidently resulted in increased arrivals of hogs in Saigon. Rice prices also declined somewhat as the early rice crop began to arrive on the market. Non-food items were stable or lower: the USAID non-food index declined two percent below the previous week. (A table of weekly retail prices in Saigon is included in the Annex.)

2. The prices of imported commodities were generally unchanged: the USAID price index for selected US-financed imports held steady at the level of the preceding week. Prices of condensed milk, flour and sugar were slightly lower as stocks continued to be ample. Chemical products also were slightly lower reportedly because of fresh arrivals of these items. Construction materials--such as cement and iron and steel products--rose, however, coincident with the onset of the dry season and resumption of construction activity.

Currency and Gold

3. Stability also was evident in the free money market. Gold and dollars were unchanged on 21 November at 239 and 172 piasters per dollar, respectively. MPC (scrip) rose one piaster to 114 piasters per dollar. (Graphics on monthly and weekly free market gold and currency prices are included in the Annex.)

Discussions with Hanh and Ton

4. US officials met with Governor Hanh of the National Bank of Vietnam and acting Minister of Industry Ton to discuss GVN financing of various commercial import program (CIP) commodities during 1967. It would appear from these discussions that the GVN may transfer only \$100 million to CIP goods. Since US estimates of total GVN foreign exchange earnings during 1967 are higher than those suggested by Hanh's statements, US officials asked that both sides review their figures and meet again to discuss GVN financing of CIP goods.

III-2

NO FOREIGN DISSEM/BACKGROUND USE ONLY

~~SECRET~~

5. The US also presented Hanh and Ton with an illustrative list of those CIP commodities that might be switched to GVN financing. Among these commodities are items which the GVN is now procuring in third countries with AID funds. Hanh and Ton indicated that they would study the list. No further progress on the CIP transfer is expected until Hanh returns from Tokyo at the end of November.

6. Discussions on the GVN budget for 1967 indicated that the GVN is attempting to hold down its expenditures, with the exception of a 10 percent wage increase for GVN employees. It appears that the budget probably will be around 80 billion piasters. The US agreed with Ton that Premier Ky should set the budget ceiling soon.

Fifth US-GVN Joint Economic Meeting

7. The series of US-GVN joint economic meetings, which had been suspended during the unsettled period within the Ministry of Economy, was resumed on 16 November with a meeting co-chaired by the then acting Minister of Economy Ton and Deputy Ambassador Porter. Most of the discussion centered on the problems of port congestion and pork prices.

8. Although the GVN had promised in early October to determine the validity of importers' complaints of insufficient credit to finance removal of their goods from the port, Secretary of State for Finance Kien reported that the study of this question is not yet complete. Kien did say, however, that the GVN would consider a "customs credit" system which would permit importers to remove their goods from the port and pay their duties later. Although US officials are reluctant to delay customs collections, they feel that this system might constitute a useful step in speeding up the flow of goods through the port.

9. Colonel Truc, deputy director of the Saigon Port Authority, reported that the rate of arrivals of general cargo is still increasing, whereas the rate of removals is decreasing. Truc introduced a new reason--the rainy season--for the reluctance of

III-3

some importers to remove their goods, especially construction materials. According to Truc, once dry season construction begins, removals will accelerate. Truc also felt that the adoption of a "customs credit" system would assist in getting goods through the port.

10. Although GVN officials did not have a prepared position on the pork situation, a useful discussion took place among the Vietnamese representatives, confirming the embassy's opinion that these joint economic meetings serve the useful function of getting Vietnamese officials from various ministries to consult with one another. These officials noted that official slaughterings at controlled prices had fallen well below the daily needs of the Saigon area, possibly because of the difficulty and cost of transportation from the delta, the high cost of feed and wages, and the lack of credit for pig farmers. It also was acknowledged that large numbers of pigs are slaughtered unofficially and sold on the black market at prices above those that would prevail if pig farmers could sell their product at uncontrolled prices. The US position is that the ceiling on pork prices must be lifted, and the market should be allowed to find its own level. It was finally agreed that an action subcommittee would be formed to recommend measures to solve the pork problem.

Reorganization of the Ministry of Economy

11. Because the GVN apparently was unable to find a man of adequate ability and stature to take over the complex tasks of the Ministry of Economy, this ministry was split into its three major parts--finance, industry, and commerce. Tran Van Kien will continue as secretary of state for finance. The GVN, however, named two new secretaries of state for the commerce and industry departments, both of which had been personally directed by the former Minister of Economy Thanh. These new secretaries are Nguyen Kien Thien An for Commerce and Truong Thai Ton for Industry. An, reportedly a protege of Governor Hanh of the National Bank of Vietnam (NBV), has been manager of the Cholon branch of the Commercial Credit Bank, an organ of the NBV. Ton will continue to function as economic advisor to Premier

III-4

Ky since his appointment to the industry position is temporary. It is expected that Ton will be replaced as secretary of state for industry by La Thanh Nghe, a member of the Constituent Assembly and former chairman of the Saigon Municipal Council.

12. Responsible Vietnamese in both government and business view these new appointments as weak. Acting Secretary of State for Industry Ton has told US officials that he feels it was a mistake to split up the Ministry of Economy. Ton thinks that the present arrangement will not work out and that Ky may have to make further changes soon. According to Ton, the reason Ky was unable to find a new Minister of Economy was that Hanh tried to choose the replacement and no one wanted to be a front man for Hanh. Moreover, although the Economic and Finance Committee--a GVN economic policy making group--has normally been chaired by the Minister of Economy, Hanh has proposed that it be chaired by Ky with Hanh as Vice Chairman. According to Ton, several GVN economic officials, including Ton and Kien, have objected to this arrangement and Ky has now asked Ton to be chairman.

13. The US Embassy reports that it is not yet clear how this entire issue will be worked out. It is obvious that Ton is perturbed at the manner in which Hanh has tried to place his own people in the various economic ministries. The embassy feels that while the recent appointments are better than the vacuum that has existed since Thanh's resignation, the diffusion of authority and the weakness of the personalities involved may cause problems in formulating and implementing economic policies.

Rice Situation

14. Deliveries of rice from the delta to Saigon, which amounted to only 15,000 tons in both September and October, continue to decline. During 1-14 November these deliveries totaled only 5,420 tons. If this rate continues during the second half of November, the monthly total will be the lowest for any month during the past decade.

III-5

15. Meanwhile, rice prices remain high. In spite of some decline in the retail price of rice during the week ending 21 November, the price of the type of rice used by the working class still was almost 30 percent above the level prevailing just prior to the devaluation last June and double the price at the beginning of the year. The only recent response by the Ministry of Economy to this situation was an announcement that hoarding of imported rice is forbidden.

16. The most important work being done on the critical rice situation is that being carried on by the US. The Mission is proceeding with the organization of its new modified rice program for the forthcoming year. Basically, this program involves giving the farmer a higher paddy price in order to provide an incentive to increase production. The Mission plans to make the program effective with the harvest of the new crop which begins in early December. Until recently, however, the US has been unable to discuss the proposed program in detail with the GVN because of the vacuum in the high levels of the Ministry of Economy. The recent appointment of Nguyen Kien Thien An as secretary of state for commerce now gives the Mission a GVN official with whom to discuss the program.

17. Speedy implementation is essential because it appears that delta merchants already are looking forward to their usual type of dealings with the peasants. The situation in Rach Gia is illustrative. At present, the paddy price in this city is 600 piasters per picul of 68 kilograms for old paddy. The merchants expect this price to drop to 400 to 450 piasters for new paddy, explaining to the peasant that a decline is traditional at this time of the season and that the lower price still is 50 percent higher than a year ago. Since the peasant is unable to forecast price movements as well as the merchant and also is financially unable to hold out for higher prices, it might well be that the merchants can buy a large proportion of the new paddy at this low price, thus repeating the speculative killing they made in 1966.

III-6

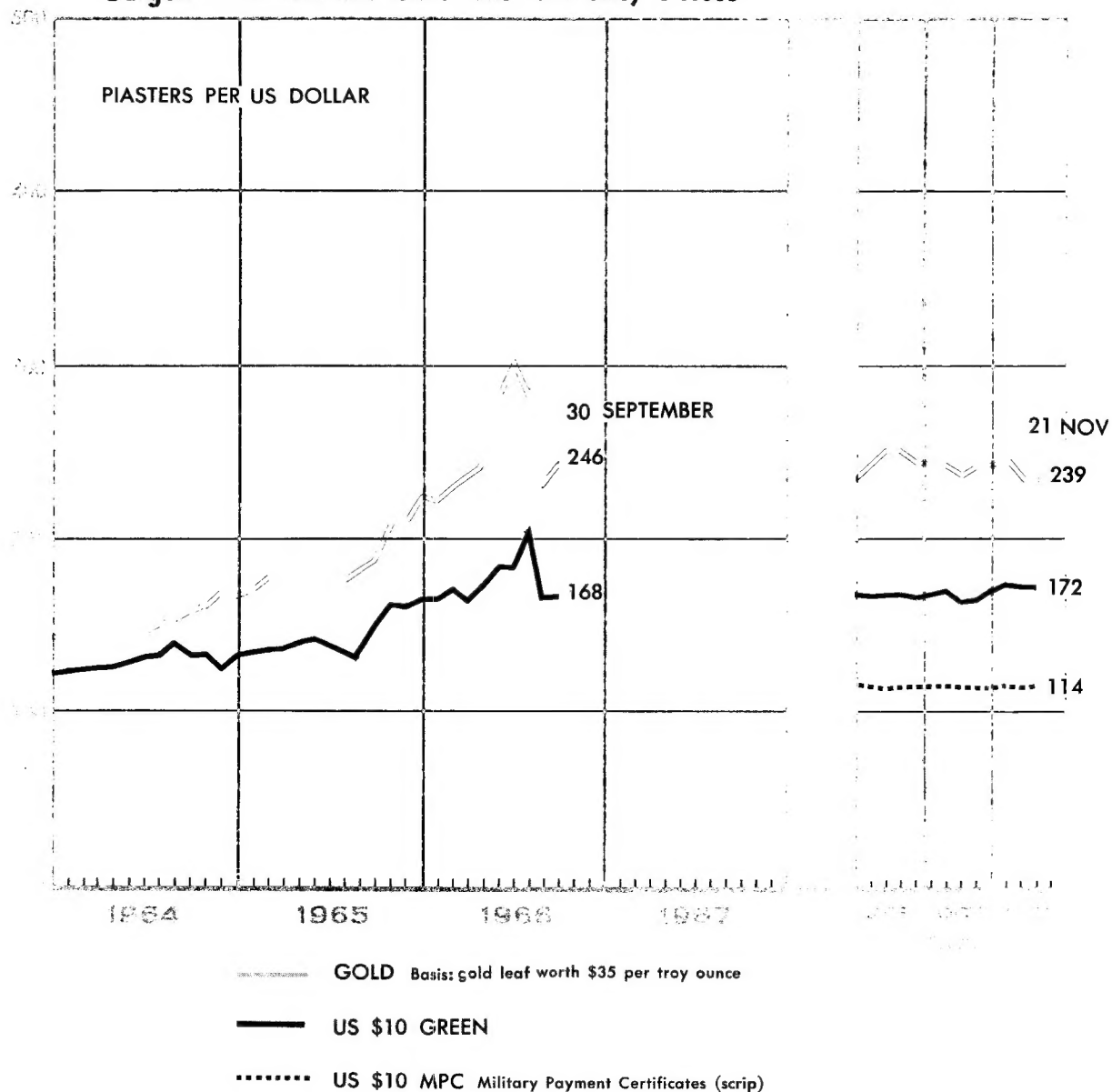
ANNEX

WEEKLY RETAIL PRICES IN SAIGON a/

	3 Jan 1966	31 Oct 1966	7 Nov 1966	14 Nov 1966	21 Nov 1966
Index for All Items <u>b/</u>	<u>160</u>	<u>225</u>	<u>222</u>	<u>224</u>	<u>227</u>
Index for Food Items <u>b/</u>	<u>169</u>	<u>231</u>	<u>228</u>	<u>N.A.</u>	<u>237 c/</u>
Of Which: (In Piasters)					
Rice-Soc Nau (100 kg.)	800	1,550	1,600	1,650	1,600
Pork Bellies (1 kg.)	70	130	170	N.A.	85
Fish-Ca Tre (1 kg.)	110	150	130	150	180
Nuoc Mam (jar)	50	85	85	85	85
Index for Non-Food Items <u>b/</u>	<u>124</u>	<u>203</u>	<u>202</u>	<u>202 c/</u>	<u>191 c/</u>
Of Which: (In Piasters)					
Charcoal (60 kg.)	440	650	650	650	620
Cigarettes (pack)	10	14	14	14	14
White Calico (meter)	27	37	36	35	35
Laundry Soap (1 kg.)	30	45	45	45	32

- a. Data are from USAID sources.
b. For all indexes, 1 January 1965 = 100.
c. Preliminary.

Saigon Free Market Gold and Currency Prices



64939
11-66 CIA

SECRET

SECRET